

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELCOMMUNICATIONS AND ENERGY

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Notice of Inquiry)D.T.E. 02-40
Provision of Default Service)
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**JOINT STATEMENT OF GUIDING PRINCIPLES FOR THE FUTURE PROVISION
OF DEFAULT SERVICE**

SUBMITTED BY
ATTORNEY GENERAL OF THE COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS COMMUNITY ACTION PROGRAM DIRECTORS
ASSOCIATION
NSTAR ELECTRIC

**I. Assumptions and Guiding Principles for Related to the Future Provision of
Default Service**

The undersigned parties believe that, like the development of industry restructuring itself, consideration of changes to Default Service should be evaluated in light of some overarching assumptions and guiding principles. These should include:

- The overall objective of restructuring was and remains to produce real benefits for all customers, and all proposals for change must be measured against this standard.
- Restructuring and wholesale competition have produced substantial benefits for customers, although opportunities for direct access to retail markets have developed at a different pace for different customer groups.
- Smaller customers have not had significant access to competitive retail electric markets; residential, and especially low-income customers, may not have viable, reasonably priced retail competitive options.
- Default Service provided by local utilities may be the only viable energy option for small, residential and low-income customers for the foreseeable future; such service provides a valuable means of delivering the benefits of the competitive market to those customers, and should continue to be offered to them.
- Default Service prices should not be below the costs incurred to procure Default Service from the competitive market - this ensures that Default Service rates are not subsidized and thereby create an artificial price barrier to retail competition.

- Customers should not be forced to pay rates for Default Service that exceed the market-based, competitively established costs to serve them so that even those customers who do not have viable, direct access to retail competition will continue to benefit from competitive markets
- Retail ***choice*** should be maintained and therefore customers should not be involuntarily assigned to retail suppliers (i.e., slammed).

II. Future Design of Default Service

In the context of the foregoing assumptions and guiding principles, Default Service should be designed as follows:

- The price of Default Service should include only those costs incurred to provide the service. These costs may include items such as costs of procuring energy, provided that an appropriate relationship is maintained between base rates and default service rates.
- Default Service for large customers should be procured and priced on a short term basis, in order to maintain a close relationship between the price of default service and the real time, wholesale price of power.
- Default Service for small customers should be procured and priced over a longer term, in order to assure greater price stability for those customers.
- The parties do not believe that additional pricing options are needed for customers, since customers currently have the option of variable or fixed (six month) pricing alternatives.
- Any mandated procurement process for Default Service should be flexible enough to allow utilities to make purchases that are in the customers' best interests and result in the lowest reasonable price for customers.

Signed: _____

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